

# **SOCIALIST POLITICS**

**Journal of Marxist-Leninist Theory and Practice  
Socialist Unity Party of New Zealand**

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## **Trade Unions**

## **Fighting for Change**

**TWO DOLLARS**



# Socialist Politics

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## Contents

Issue No 88/3

Introduction . . . . .	2
Editorial . . . . .	3
Corrections to Issues 88-1 & 88-2 . . . . .	8
An Analysis of The Labour Movement In The 1980's <i>by John Price</i> . . . . .	9
Trade Unions In The Political Environment <i>Contributed</i> . . . . .	20
Looking Back At The New Zealand Economy <i>by Bruce Skilton</i> . . . . .	39

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**Views welcome:** The SUP would like to know the views of readers on the material contained in this issue. Please send your comments to the above address.

## Introduction

# A NEW APPROACH

Beginning with this issue, Socialist Politics is widening the scope of its content. Till now articles have been written by members of the Socialist Unity Party or reprinted from international Marxist journals. Other contributors have been few and far between.

This is now changing. The Socialist Unity Party wishes to use this journal as a vehicle for promoting debate within the labour movement, to boost the development of Marxist Leninist theory.

Right now, the working class is facing huge challenges. These have exposed weaknesses in our working class theory, revealed our failures to ensure it kept pace with changes in life. These must be overcome. Fundamental issues are now being examined, the direction of the labour movement is being debated and a number of activists are making valuable contributions.

No one person or organisation has a monopoly on the truth. By sharing opinions and experiences we can help the class we represent to move closer to it, and to better prepare itself for the class battles of today and tomorrow.

Socialist Politics aims to help this process. Apart from editorials and articles which specifically say so therefore, articles will not necessarily reflect the policy of the Socialist Unity Party. At the same time we reserve the right not to print any material which we consider hostile to the interests of the working class.

## Editorial

# THE COMPACT AN AID TO CLASS STRUGGLE

Richard Prebble's sacking from cabinet helps put other recent political developments into perspective.

The statement of intent agreed on at this year's Labour Party Conference, the readiness to work out a compact with the trade union movement expressed there by Prime Minister, David Lange, and the cabinet reshuffle afterwards, mark a shift in this country's political scene.

## WHAT GAVE RISE TO THIS?

This Government is now fighting for its life. Unemployment is breaking all previous records. Broken lives and communities are strewn everywhere. Traditional supporters, angry and feeling betrayed are leaving Labour in droves. Newer ones too are joining them. Successive opinion polls show the government well behind an ineffectual opposition.

Still the Business Roundtable steers the same course and the cabinet in the main, carries out its will. The cabinet, however is not the like-minded being it once was. Elements of independence are emerging. They have more strength in caucus. At the Dunedin conference they joined forces with the Party to fight for the

Government's survival. Small though they may be, these changes are a breakthrough which can benefit the working class. We ignore them, or underrate them at our peril.

There are no guarantees they will develop further or give any tangible benefits. There never is in class-divided politics. Such gains will only be won through the strength and organisation of the working class acting in harmony with other sections of the community hurt by big business policies.

The class struggle is heating up. For a period, the Roundtable and its political allies in cabinet were almost in sole charge of the kitchen. More recently the labour movement has started to fight its way back, taking steps to reorganise and re-equip itself.

When the new wave of attacks was unleashed earlier this decade the labour movement was caught napping. It was ill-prepared to fight in the new environment and was forced to take stock of itself. It has since analysed the new conditions, and workers' responses, both at home and abroad, and developed a better understanding of where it must head. It embarked on a major reorganisation of its own structures as part of its plan to win a greater say in the running of the economy.

## THE COMPACT

The proposed compact between the Government and the trade union movement can help this process.

The trade unions are looking to put in place processes which will press the Government

to control the rights of big business, and involve workers in decision making. They see the compact therefore as a means of advancing the trade unions' position and extending trade union and democratic rights.

The CTU has stressed that it is not an end in itself which puts forward a shopping list of immediate demands. Its about putting in place new democratic structures and processes that will take the labour movement into tomorrow.

This will not be easy. The new fields that workers will have to work in will require new skills. It will take time, and practice to acquire these. We can see from experiences across the Tasman that Australian unions are still getting to grips with the challenges the Accord threw up. We can learn from them.

Before we set out on this road it is important to understand that a Compact isn't a "cure all" for all of capitalism's ills. As Tom McDonald, visiting ACTU executive member, pointed out to a meeting in Auckland, the Accord hasn't interfered with capitalism's economic laws. The crises are still there. The booms and the busts are still there. The pressures they bring still occur. The pressures for employers to reduce wages in the bust periods will happen, with or without a compact. Some sections of the Australian labour movement haven't understood this, and have blamed the Accord for every setback.

He also pointed out that in some cases the Australian unions have been slow to fully use the opportunities the Accord offers, and to adapt to the new forms of class struggle these entail. "It (the Accord) has created a whole new situation. The unions have moved from the sidelines to the

playing field and they were not really equipped for this. In particular they were slow to find ways to involve the rank and file."

The Compact process can't be seen on its own, therefore. It must be seen in the context of union restructuring which is aimed at developing industry based unions, at uniting workers on class lines, and at developing workers' ability to manage their industries. This won't be done without expanding workers' understanding and involvement at all levels of the trade union movement.

The value of a Compact to the working class will be determined by the extent that it increases awareness of the need for the class to battle for an expanded role in meeting and leading change; that it increases determination to fight for a say in how our industries and our economy are restructured.

Its success will depend on the development of struggle - not just on the militancy of the trade unions themselves but on a broad mix of alliances with small farming and business interests and other community groups which will be forged around opposition to the Roundtable agenda.

Negotiations at leadership level must be reinforced with debate and action at rank and file level. Without this the process won't go anywhere.

The Roundtable doesn't want a compact, and will be doing everything to sabotage it. It goes against everything its trying to do. The developments at the Labour Party Conference, and Richard Prebble's dumping were a setback for it, but it won't give up. On the contrary it will try to minimise their impact and speed up the implementation of its own policy.



The Institute of Policy Studies' mid-September seminar on privatisation bears this out. Finance minister Douglas and then Minister of State Owned Enterprises Prebble, disregarding Conference decisions, showed clearly that it was full steam ahead for their plan of selling off state assets as quickly as possible.

## **CLASS COLLABORATION?**

The danger of class collaboration is always present with or without a compact. Some groups claim that any compact-type arrangement is inherently collaborationist. The SUP disagrees. As long as it is used to lift and not to dampen class struggle, as long as it is used to address overall class interests and not sectional ones, and as long as it is seen in terms of expanding workers' understanding and involvement it will strengthen workers' organisation not weaken it as class collusion does.

A central aspect of the Business Roundtable plan to destroy trade union organisation is its attempt to make unions seem irrelevant. The new level of union organisation and understanding needed to proceed with the compact will demonstrate just how relevant unions are.

objectives that Marx and Lenin would have found desirable.

Its greatest achievement is that it has largely destroyed the stranglehold of organised religion in the western world. In all reliable statistics a secular state prevails and religious opinion has the allegiance of very small, albeit vocal, minorities. This is a remarkable achievement in such a short space of time.

Capitalism gave rise to a major debate at the end of the 19th Century from which developed a vision of a society based on humanist and equalitarian principles. This vision is still relevant today.

Capitalism has created a new scientific age that has advanced technology beyond what could have been conceivable prior to the industrial revolution.

It is an inescapable conclusion that capitalism has generated an immense interest in materialism that is universal and is inspiring people to break with harsh traditional cultures that are based on oppression.

Lastly, this economic and political system has created a culture that holds dear concepts of a participating democracy.

Having established positive aspects of the "age of capitalist production", we must also analyse why this system has failed many people and needs to be replaced by a superior system.

The negative aspects of this system are as follows.

Capitalism cannot provide a stable economic environment. It has the continuous tendency to lurch between unplanned booms and busts.

Capitalism is structured on insatiable greed and avarice that provides constant pressure towards inequality, oppression and conflict.

A major negative feature of capitalist societies is that they are structurally unable to provide a harmonious society. Their own structure is divisive and competitive. Their existence is dependent on sensational distractions and driving people and groups towards sectarianism.

Because the economic system needs to prevail above any other consideration it has the need to denigrate politics and every concept that may interfere with its primary objective of making money.

The need for the system to dwell on trivia. It is the triviality of the capitalist system that has the most devastating effect on working class minds and drives this class to vice and crime.

The over-riding tendency of capitalism towards corruption and graft. It is this aspect of the capitalist economic system that will prove to be its undoing and will eventually make it politically and socially unacceptable.

## CONCLUSION OF THAT ANALYSIS

I believe that working people have a very clear perception of the negative aspects of capitalism, although the balance of the debate is never clearly articulated to them. If this exercise can be conducted throughout the labour movement it is likely a strong consensus will emerge for change. If the exclusive argument against capitalism is promoted it will be seen as one more sectarian view and is largely

hypocritical. We cannot easily enjoy the fruits of capitalism, commodity consumption, and then preach that it is all wrong. The labour movement lacks credibility if it adopts the posture of charismatic Christianity by appearing to denigrate the positive aspects of capitalism. By promoting a positive analysis we encourage working people to think in terms of a change to a better society.

The most important event that has taken place in recent times that has dramatically altered confidence in the capitalist system was the "stockmarket crash" in October 1987. The whole of New Zealand society was able to observe the fragility of the capitalist system and its inability to provide long term security. Of even greater importance is the fact that capitalism lost a great deal of confidence in itself, this has made it much more vulnerable to a coherent and balanced argument against its continued existence. All the negatives listed above became apparent in the wake of the crash and should be fully explained by the left.

## MONETARISM

Prior to the emergence of "monetarist" or "free-market" economics the political and economic landscape was clouded by the welfare state. With minor fluctuations workers became increasingly prosperous and many of their basic concerns of health, education and stable employment were taken care of by the State. It was exceedingly difficult to persuade workers towards the energetic exercise of thinking about a better system. For preference, a society will

seek to stay with the status quo unless it is seen to fail and not to provide basic human needs.

Monetarism has exposed the "ugly face" of capitalism and has bred an environment more conducive to change. Socialists can now view their beliefs in a positive light because there is a wider understanding that the present economic system cannot meet the expectations of its proponents. Equally the belief exists that a further and more devastating financial collapse will occur in the future. This view is being expressed very widely and a great deal of dissatisfaction exists with monetarism as an economic theory.

## **WHAT DOES THE LABOUR MOVEMENT NEED TO DO?**

Our over-riding need is to concentrate on two areas of activity; organisation, and education.

In terms of organisation we need to ensure that our union structures are efficient and provide a means of communication to our members.

We need good management of our resources and to ensure that democratic delegate structures are in place. A great deal of emphasis will need to be placed in effective and efficient clerical structures in Union offices.

In some areas we have hang-ups about adopting practices used by our capitalist opponents. There needs to be a rationalisation that we are in direct competition with a very well resourced and efficient system and will need to structure ourselves accordingly. We are in a market place selling services and ideas to

consumers. Our advantage is that our product is ethically superior to that being marketed by our opponents. In many ways we will need to do things differently from our opponents. The degree of dedication should at least match what they are offering.

It will be commonly seen by the community that a person engaged in selling a company's products will sacrifice their families and themselves to that purpose. They will be available to sell motor cars insurance or a house on any hour of the day or night. They are not simply selling a commodity or service, they are selling the capitalist economic system. We require the dedication to match that service and relationship with the public.

With TUEA and paid education leave workers education has been given a new status. Every trade union and union official needs to exploit this new environment to the full and ensure it remains in place. If there are sacrifices to be made in the short term of living with a Labour Government that is embracing capitalism to the full, we must give priority to keeping it even if it is just for the benefits that can accrue from workers education.

It is because we have failed to give proper priority to organisation and education in the past that we now find ourselves in our present position. While we won battles on pay and conditions and lived comfortably with the status quo, capitalism was winning the war.

At the same time that capitalism has achieved its pinnacle so it is heralding its decline. This means that we need maximum effort to ensure that we build up an organisation to

achieve the objective of replacing capitalism with socialism.

## CREATION OF A WORKING CLASS CULTURE

If we examine how our society operates we will observe that capitalism has infiltrated itself into every level of decision making. The capitalist class makes decisions on education boards, health boards and local government. By those means that class has built for itself a cultural environment that serves its own interests under the cloak of social responsibility.

This cultural climate has been entrenched during the lengthy period of the welfare state and State supported capitalism. One advantage served by the adoption of monetarist theories is that it has exposed the limited managerial abilities of this entrenched group in society.

Culturally this privileged group in our society has gained its strength through pakeha male structures like Chambers of Commerce, returned servicemen's organisations, Jaycees and Lions. The working class, women and Maori have largely been shut out of this decision making structure.

Our aims should not be just for the heights of economic and political decision making. It is no use electing governments that are intended to serve working class interests when they are only governing a political infrastructure that is totally antipathetic to what a workers government may try to achieve. If a government were ever elected that is representative of working class interests this rotten infrastructure would quickly sabotage its every move.

We need therefore to create efficient use of our structures through the Council of Trade Unions and TUEA to start building a workers society from the bottom up. We need to urgently deal with the local body elections in 1989 to start constructing that society and to make sure that workers candidates are involved in that basic decision making.

## **ROLE OF THE SOCIALIST UNITY PARTY**

Recently I was involved in a discussion about the role of the SUP. In my view the time is approaching when the SUP should move out of the shadows and declare its policies in an idiom that is relevant to modern working class needs. This view is taken because the problems created for working class people by the Labour Government are leading to the position where they have no place to go. Purely by default a National government will be elected and they will re-entrench the present conservative, incompetent ruling class.

Strategically it might be advisable not to openly confront a Labour Government at the national level. What can happen is that if we look at building from the bottom up the trade union movement can develop organisation and education to confront those structures. As the only responsible political body on the left the SUP would need to feed in a Marxist-Leninist analysis of the political and economic issues so that coherent and comprehensive activity ensues. When a Marxist-Leninist analysis takes place the Party will need to avoid couching it in language that is incomprehensible to working people and



relies on rhetoric and polemics which is felt by most workers to be irrelevant to their needs.

For some obscure reason those promoting Marxist-Leninist concepts have fallen into incomprehensible rhetoric. It is likely that they lack a full understanding of the substance of their argument and are only able to mimic a few limited concepts. It is the most notable feature of both Marx and Lenin that they explained their concepts in very detailed form and reasoned them through to the stage where argument was irrelevant. They did this in the language that was current at the turn of the century and by this work altered the course of history.

We must now apply the same degree of thought and work to contemporary issues and avoid the lazy ways of catchcries and rhetoric. It will be hard work without personal reward. We need to structure our organisations to fit working class needs and express these in an idiom workers can clearly comprehend. Because modern capitalism has trivialised workers minds and given them short attention spans we may have to use our education resources to feed in well constructed single thoughts. In other words concepts may need to be promoted in a similar way to commercial advertisements.

In my experience of the trade union movement it is only the SUP that has policies relevant to contemporary New Zealand workers and it now needs to come out of the shadows to articulate those policies and concepts.

## **EQUAL OPPORTUNITIES**

In conclusion I would like to address the question of equal opportunities. These liberal

concepts have largely been foisted on the working class with a view to dividing workers against each other. The manner with which this has been done has avoided the central issue - that a capitalist economic and political system is inherently unequal.

Such acts of tokenism to ethnic groups and women will not dispel the inherent inequality but will simply provide capitalism with the liberal facade. Nothing will change for working class women or Maori for the duration of capitalist occupation of the power structures.

Nevertheless we must support equality for everybody because it is most basic to the Marxist-Leninist philosophy. In saying this we must make it absolutely clear that we are not seeking mere token equality or some liberal middle class semblance of equality, we are seeking the true equality that is the right of every working person.

In pursuit of this philosophy we must work closely with working class women and Maori. This means that we must understand and respect the cultural practices of the marae and participate in those activities.

There are unique abilities that trade unionists have that make them very useful to the Maori community. In pursuing these activities we participate as equals and make our contributions only on that basis. Once the pakeha is able to break out of the narrow confines of their own culture it will be seen that the hui is a meeting of working class people. In my extensive activities on Rotorua marae I never stop being a trade unionist. On the marae, I raise working class issues and discuss them in their class context. The basic needs and interests

of working class people is an international experience and crosses all cultural barriers. We should never be afraid to involve ourselves with the oppressed brothers and sisters who are on our own doorstep.

So our Marxism-Leninism is not mouthing lofty ideals in a language workers cannot comprehend, it is about getting our hands dirty and identifying with the very human and basic concerns of the working class and then providing a course of action that will change society to one that provides for their welfare and participation.

# TRADE UNIONS IN THE POLITICAL ENVIRONMENT

*Contributed*

The last five years have seen change of a magnitude not experienced in New Zealand since the 1930s. The irresistible pressures for change had their origins in earlier times. The seeds were sown even as the first Labour Government was putting in place the regulated welfare state which was to last for 50 years. That it took so long for deregulation to displace the regulated (or "partially planned") economy says a lot for the durability of the alliance of forces that sustained it both during periods of Labour in government and Labour in opposition.

The reality facing the trade union movement is that the economic system of which it is a part has fundamentally changed. While aspects of the regulated welfare state have survived, the overall flavour of the economy is now "deregulatory" or "free market". This raises a number of organisational issues for unions because the methods of operation effective in a deregulated economy are quite different from those required in a more regulated setting.

Before addressing that issue, it is useful to take a brief look at New Zealand's political and economic history, identify periods when fundamental change has occurred, and the forces which caused it.

## THE LABOUR GOVERNMENT OF THE 1930'S AND 1940'S

The initial alliance of forces which brought the first Labour Government to power was based on workers and their unions, the unemployed, Maori, and middle class liberals. It also had significant support from working farmers and small business people. This was an alliance forged by the depression. It essentially arose out of a reaction to "the old boys club" of the day. The effects of the depression tore a significant section of "elite" worker (i.e. high paid), working farmer, and small business owners away from their previous alliance with the farming and traditional business establishment of that time.

The power brokers who controlled the economic system were the great farming families and business dynasties found throughout the country. Their presence on the national scene was reflected in every city and rural town by a local aristocracy of rich farmers, business elite, and resident professionals such as lawyers and doctors.

The process of change in the 1930s was the result of a progression of "regulatory exceptions" beginning in the middle of the last century. These regulatory reforms were piecemeal, but they were nevertheless important victories for working people seeking political gains to consolidate their struggle for industrial rights. For example, the legalising of trade unions in England before 1850. This breakthrough recognised a form of collectivism that had previously been regarded as a conspiracy against the free market.

In New Zealand, the political struggle of workers in alliance with small but vocal humanitarian groups, secured "regulatory" legislation on the employment of women and children, and work in factories. This was won on the issue of the excesses of the free market system and the impact on the most vulnerable groups of workers. In 1894, general industrial legislation was passed by a worker-supported Liberal Government. This legislation entitled workers to negotiate legally enforceable collective agreements for a whole workplace - a watershed for collectivism when the prevailing free market (individualist) ethic was so strongly entrenched that it was to remain for a further 40 years. The telling factor was the depression of the 1880s.

The first Labour Government in effect adopted three interrelated initiatives. It put in place a "partially planned" or "regulated" economy (which restrained the way in which the powerful exercised their power), it redistributed wealth more equitably, and it provided basic support for the vulnerable. For example it introduced marketing boards to collectivise the interests of small producers in selling their products at home and abroad and evening out price fluctuations, it introduced changes to the taxation system to redistribute wealth, and it introduced the unemployment benefit and universal pensions. In the industrial arena, it put in place supports for collectivism by making union membership compulsory, reintroducing the union's right to compulsory arbitration and setting up an effective labour department service for enforcing awards.

## THE NATIONAL GOVERNMENT OF THE 1950'S AND 1960'S

The alliance of forces of the 1930s and 1940s Labour Government changed the face of middle ground politics in New Zealand. The immediate alliance lasted for the twelve years of that administration. Even when it lost power, the imprint it had left on the political scene remained. It was replaced by a National Party which derived its power from an urban rich, rural alliance seeking a government which served its interests better. The depression generation still held sufficient sway to decisively determine the overall flavour of economic and political life.

## THE 1970'S

The Muldoon years represented the last of a 50 year line of regulatory governments. By the 1970s the regulated economy had become dominated by its own "old boys club". It had become morally bankrupt in the eyes of the electorate.

To that electorate, this had little to do with arguments for or against a regulated economy. It was the reality of institutional corruption which dominated the public consciousness. By the 1970s, a new set of money lenders had taken over. They sought to maintain the existing system and extract maximum benefit from it. This was the period of pressure group politics with the squeakiest wheels getting the oil. We witnessed groups such as farmers and manufacturers getting increased subsidies to maintain incomes in the face of falling prices for their products.

In effect, the concept of the partially planned economy had been overtaken by the politics of keeping everyone in the manner to which they had become accustomed. The moral bankruptcy of "the old boys club" was, however, becoming increasingly apparent as pressure for free market exceptions to the regulated economy began to emerge in a number of areas. It was the politics of tinkering with the economy by a skilled strategist who played off one vested interest group against another.

Underlying this was the remnant of the forces which brought the first Labour Government to power. The Muldoon government was part of a generation which, to its credit, was not prepared to revisit the depression. It sustained all interest groups though some, such as unions, were allowed to stay alive only as whipping boys.

There were considerable political advantages in whipping unions but any attempt to knock unions over would tear at the very fabric of a New Zealand society still aware of the horror of the depression. It was far better to stir up public opposition than it was to undertake the political risk of arousing public sympathy.

With pressures mounting, workers were the first to get the crunch. There was a gradual rise in unemployment, a gradual decline in living standards and (in the later years of the administration), a series of piecemeal legislative attacks on union organisation.

At this time, the depression generation was losing its emotive grip over the New Zealand political process.

At the populist level the emerging perception was one of disillusionment with



current institutions. For example, the public service was seen as inefficient and useless. Whether this was true or not, and whether or not it was also true of the business and farming sector didn't really matter. The "taxman" was the enemy and there were "far too many" useless forms to fill in. A permit or licence was required "for everything".

The sheer conformism of 1950s and 1960s society had already produced demands for change amongst young people and the rapidly emerging women's and Maori movements. The desire to deviate from conformism found its voice also in such areas as music, hairstyles, different foods, and non-conventional clothing. Whilst these developments were "anti-conformist" rather than inherently "anti-collectivist", they found their roots in a demand for greater tolerance of individual characteristics and preferences. As such, these pressures were easily co-opted into a more individualist political vision which lay in the wings, steadily growing in power and intensity, within a society so dominated by vested interests that it was incapable of making changes.

## THE 1980'S LABOUR GOVERNMENT

The Lange government came to power against a background of pressure for change. The ad hoc interventionism of the Muldoon years was discredited and the "anti-conformism" generation of the 1960s and 1970s had replaced the depression generation as the pivotal element in New Zealand political life. Big Business and the New Right had an agenda which captured the public imagination.

Unions and the left were perceived as siding with the moneylenders. To a large extent, this perception was accurate. Unions relied on regulatory supports and their effectiveness depended on these regulations rather than on any inherent organisational strength. To the public, it did not matter that workers only received the crumbs from the table.

Though pushed aside, the depression generation was certainly not dead. It may have lost its power to determine the overall political flavour, but it could still be part of a coalition around the centre on the question of the casualties of change. What had happened was that the first Labour Government's goals of restraining the rich and powerful and redistributing wealth were ditched because they protected the moneylenders on the one hand, and stifled the new rich's desires to reward "effort", "imagination" and "creativity" on the other. However, the final "safety net" at the bottom remained and became the primary focus of social policy, and the liberal governments of the late 19th century returned to power. The overall free market system was more or less the same, and the regulatory exceptions to protect the weak and vulnerable reflected a similar charitable outlook.

The difference was that the fourth Labour Government did not call this "charity" or "protecting the weak". Instead, it was "targeting assistance to those that really need it." Even the "New Right" accepted this approach. Instead of a direct assault on the welfare state they chipped away at "inefficient government spending" - an approach guaranteed to attract support albeit in the form of prejudices.

The alliance of forces which has sustained the fourth Labour Government is a fascinating series of contradictions. It involves the large corporate interests, the new rich and the traditional stalwarts of workers, unemployed, Maori and small business.

The large corporate interests sustained it because the existing regulated system held them back as they struggled to overturn an "old boys club" composed of the remnants of the pre-1930s business aristocracy and the business interests which had flourished under regulation.

Maori supported Labour as they always had. Workers and the unemployed supported Labour on essentially the same basis, but also out of fear of a continuing National Party administration. This latter factor was to become their dominant basis of support by the time of the 1987 election, and the very low turnout in Labour strongholds illustrates this point.

The alliance of forces is fascinating because of the magnitude of the internal contradictions involved. It is an alliance between the rich and the greedy on the one hand, and the urban workforce, the poor and needy on the other. It is partly an alliance of big business and of workers, and it is also substantially an alliance of left and right.

The common factor was little more than a desire for change. The corporate sector managed to gain an early monopoly on defining the national interest, hence the direction of change. Trade Unions and the left were demoralised by a government that offered change but on terms imposed by big business. While the new right stood on the sidelines and applauded an age of "long overdue change" and "reward for effort and

initiative", an increasingly large section of the population earning lower and middle incomes got more and more squeezed.

The left in New Zealand has been demoralised because its "natural constituency" is caught up in alliance with the rich, contrary to its own interest. This demoralisation is misplaced. The sheer internal contradictions dictate that an alliance of interest between the rich and the poor cannot survive for very long and will inevitably break down.

Workers will not continue to support a government which tells them that wages must be reduced and hardship remedied by social policy at the same time as advocating cuts in government spending. The unemployed will not continue to vote for a government which waxes lyrical about job growth, but delivers constantly rising unemployment. Maori people will not rally to a Government which implements an economic policy which excludes them from social and political life.

Ordinary people in general will not support a system which tells them that human sacrifices are needed at the same time as the corporate empires require greater profits. Big business and the new rich will not sing the praises of, nor fund, a government which attempts to curb their greed or redistribute wealth.

The alliance will break down when the realities of daily life conflict markedly with the theory. The current group will not retain public support for very long. They have failed in that the human cost of their greed in terms of misery and unemployment is too high. There is no lowest common denominator on which the

current alliance can be sustained. The current scrapping within the Labour party and government shows these tensions coming to the surface. The Lange faction is manoeuvring to hold onto the poor, and capture enough of the middle ground to hold power at the same time as not unduly antagonising the New Right by making any drastic changes to the overall economic direction. The Douglas faction is trying to maintain a coalition whose internal contractions are causing it to self-destruct.

There are two dangers for the left in this situation. First, that the poor will opt out of the political process altogether - a development which began to occur in 1987, shown by low turnouts in traditional Labour strongholds. The second is the danger that a future realignment of forces will see a chunk of the centre align itself with the extreme Right.

If these two things occur, then an apathetic majority will be confronted by a well organised right with significant support from the centre. These are the conditions under which the New Right can secure the position of corporate fascism.

The question facing unions and the left is not one of convincing the majority that the New Right is pursuing its own interests at the expense of the public interest. It is the question of how much of the middle ground will side with the New Right when the next economic crisis occurs. The sharemarket crash should be seen as no more than an early warning sign of bigger things to come during the next five to ten years.

## THE STATE OF BUSINESS

Corporate empires have emerged in the last 10 years. Corporate empires no longer own one factory or meatworks. They, through their subsidiaries and shareholdings, own or control eight meatworks, seven forests, twelve mills, a chain of retail stores, a finance company, a freight company, and big chunks of prime urban real estate. They not only own or control these resources in New Zealand, but they also have the same resources in three or four other countries. They have moved from being participants in the system to being masters over large parts of it.

Corporate empires employ workers and contractors on large sites and they also contract work out to small businesses. They get raw materials from a variety of sources (which are directly or indirectly under their control), transfer production from one site to another (or from large sites to small businesses), and supply their markets from a variety of sources.

Not only do they do this within New Zealand, but they do it on an international scale. It is an organisational structure which promotes competition and division between the different groups doing the work. For example, if it is cheaper to contract work out or do it on one site or another, or by contractors rather than workers, or within one country as opposed to another, then there is the capacity to transfer production. Even more important are the sheer resources available which mean that mothballing or closing a plant can be accommodated. The closure of a major worksite is no more than the performance of routine maintenance would be to the one workplace company of the past.

## THE STATE OF THE UNIONS

New Zealand's unions emerged into a deregulated economy with a narrow vision. Legal constraints restricted them to workplace concerns such as wages and working conditions. It was actually illegal for unions to negotiate about company investment decisions, staffing levels and other issues regarded as "management prerogative". It was also technically illegal for unions to pursue wider political or economic concerns.

These restrictions are important because they lasted from the turn of the century right through until the 1980s. The political role of unions was ceded to their creation, the Labour Party. Unions did not assert a wider political view much beyond supporting Labour once every three years. Exclusion from any say in "management prerogative" areas was elevated to the status of being a virtue by passionate rhetoric about militancy. The only role open to unions was a negative one - either "this wage increase is paid" or "that machine is made safe", or else we will obstruct production.

New Zealand trade unions are small and fragmented amongst a number of occupations and to a lesser extent by regions. This compounds the problem of "narrow vision" because few unions had the resources to develop a wider view, or the strength to make an impact at industry or national levels.

The system delivered workers wage increases via a "going rate" (or "relativities") system underpinned by compulsory arbitration. Unions were sustained by other institutional supports such as exclusive coverage, compulsory



membership, state financial support for negotiations, and a Labour Department inspectorate which enforced awards on their behalf.

While it provided benefits for workers this system did little to promote active organisation. In fact it undermined it. Unions had few resources and much of their work, particularly in rural areas, was done by the Labour Department. Wage increases arrived in most workers pay packets because of a flow on from small pockets of well organised workers. Even as most workers pocketed their wage increase, they were reading their newspapers and accepting the image of the destructive militancy of unions. Sadly, the "wreckers" were the very groups of workers who had won the wage increases received by their detractors. For too many workers, the boss handed out the wage increase, the Labour Department enforced the award, and militant trade union wreckers caused a lot of disruption.

The lack of participation of a broad membership in the affairs of New Zealand unions compounded the fragmentation of the movement of a whole. It produced a tendency for divisiveness within the movement as each union's power club manoeuvred against other unions to maintain "the one true faith".

Demarcation disputes were common and very bitter. There was a lot of struggle going on, but unfortunately too much of it was of the "internal power" variety. Under deregulation, the regulatory supports for unions have been removed and the union movement now stands or falls on its level of internal organisation. Perhaps even more importantly, deregulation and technological changes have blurred or totally



destroyed the tidy and distinct types of work on which union coverage was based.

The distinctions between different occupations are becoming unclear, the distinctions between the state, local body and private sectors are getting very difficult to identify, and products made from materials traditionally worked on by one group of workers, are now being made from materials traditionally worked on by another group. Because of this the scope for demarcation disputes exist throughout the economy.

When deregulation and technological change is injected into the existing structure of the union movement, and the tradition of infighting and manoeuvring is added, the future for the trade union movement is potentially horrific, unless fundamental organisational changes occur.

In any large workplace, perhaps ten unions are represented and in the industry as a whole, there are perhaps sixteen unions. Each union has officials going in and out of the workplace trying to develop a future vision for a number of industries (over which their membership is spread), and taking a policy position to other unions within each of those industries. It is an inherently divisive structure with infighting, one-up-man-ship and demarcation problems. In contrast, the organisation of capital consists of a flexible and pliable amalgam of subsidiaries, contractors and small businesses all subject to the overall strategy of the corporate empire at the centre. In other words, in an economic system that promotes disunity amongst workers and downward pressure on "labour costs", the union

movement's organisational structures themselves actually promote disunity.

What is clear is that "horizontal" or "occupational" coverage is not adequate to meet future challenges.

## THE FUTURE FOR UNIONS

Some clear lessons emerge from this brief ramble through New Zealand's economic, political and industrial history. First, unions cannot isolate themselves from the political and economic debate and merely concentrate on wages and conditions as they largely have in the past. Second, unions are not the centre of the universe and can only exercise political and economic influence in alliance with other groups. Third, unions must develop alliances on particular common interests even with some traditional enemies if they are to avoid the political and industrial consequences of corporate fascism. Fourth, unions have to be able to promote a vision for beneficial change (rather than a return to the past) if they are to capture the public support required to achieve even their most basic goals. Fifth, unions must develop organisational structures which promote unity amongst workers and which give them the resources to project that vision publicly. All of these points centre around the need for far-reaching organisational changes.

There are two possible futures for union organisation. The first is "enterprise" or "company" unions. The second is industry unions.

Company unions are favoured by the "New Right" and will result if unions do not actively

embrace changes of their own choice. Deregulation and a well co-ordinated strategy by the corporate empires and their allies of the New Right will quite literally shake an unchanging union movement to pieces, and very small pieces at that.

Enterprise unions are under-resourced, inherently narrow in their outlook, and are divided into a large number of small bits. Their whole vision is organisationally centred on the best interests of that enterprise in competition with others (either within the corporate empire or subject to its control) such as contractors, workers in other enterprises, workers in small businesses, and even small business operators and farmers themselves. They are institutions which, as a matter of structure, buy into a downward pressure system as far as "labour costs" are concerned. Enterprise unionism fails all five lessons.

Industry unions are a different matter. Such unions would be unified, ideally covering all workers in an industry. They would have the size and resources to participate in the wider political debate. They would be structurally focused on their industry as a whole, and hence able to present a coherent vision of that industry's future. As such, they would be structured to develop alliances of interests with other groups within the industry or closely associated with it. They would have a structural base which promote unity, rather than division.

Structural change will not be enough. Alliances must be forged with other groups, both inside and outside of the union movement. Historically, unions have never been able to achieve an impact on the political and economic

scene by themselves. They have only succeeded in concert with other groups sharing a common interest either generally, on a particular issue, or at a particular time.

This point requires an analysis of who the workers actually are. In traditional terms, unions have come to see workers as being people performing work under an employment relationship. This attitude reflects legal definitions rather than industrial realities. The key factor should not be the legal relationship under which people perform work, but rather the economic position they are in when they perform that work.

Workers perform work under an employment relationship in circumstances of powerlessness against employers positioned to extract profits from their production. Contractors perform work under a contractual relationship in circumstances of powerlessness against contractees (employers) positioned to extract profits from their production. Working farmers perform work under a buy-sell relationship in circumstances of powerlessness against meat companies positioned to set the price at a level which produces "acceptable" profits. Small retailers perform work under a lease arrangement with large corporate landlords who have bought up all the prime sites in town and hence are positioned to extract profits (in the form of rent) from the retailers production.

Unions oppose contracting for sound reasons. However, this opposition should not be directed at the contractors themselves who are workers by another name. Working farmers and small retailers are often employers and argue for lower wages for workers. This should, however,

not blind us to the fact that workers, contractors, working farmers and small retailers all have their income levels determined by the corporate empires. All are individually powerless. All need to collectivise to have any impact. All would benefit from all having an input into the development of their industries and all have a common interest to ensure that the corporate empires do not run roughshod over their lives.

At present, almost all contractors, working farmers, retailers and their equivalents would see their interests more closely allied with the corporate empires than they would with workers and their unions. However, the economic crisis is rapidly creating the conditions to change that.

Whatever the difficulties, one thing is certain. When the multinational meat companies come hand in hand with farmers to demand a pay cut for meatworkers to keep farmers afloat, then the meatworkers won't win. But, if meatworkers and farmers (and rural and Maori communities) go hand in hand to the multi-national meat companies demanding to discuss profit levels and to have a say in the planning of their industry, then prospects are somewhat improved. Whatever the situation, the strategy of the meat companies will be to maintain control of the industry, set the prices, extract "acceptable" profits, and encourage unions and farmers to fight over what is left. The picture is pretty much the same in other industries.

The next few years will be a painful time for unions. The current crisis and the potential for corporate fascism in the future make it clear enough that there is no room for fighting between workers and their potential allies. The overwhelming demand of our time is not for

purism, passionate rhetoric, or for "the one true faith". It is for the effective organisation of an alliance of forces capable of making an impact in the new corporate state in which we all live.

# LOOKING BACK AT THE NEW ZEALAND ECONOMY

*by Bruce Skilton*

The economic system which prevailed in New Zealand for the 50 years up until 1984 was changed fundamentally in the first three years of the 4th Labour Government. In the last election campaign these changes were substantially endorsed by the National Party.

Labour and National both offered alternative visions of a "free market" economy except that a vociferous element in the National Party publicly declared support for some state management. This created a lack of clarity on what the National Party really stood for.

What were the essential elements of that managed economy system which was created in the 1930s by the first Labour Government?

- \* An economy geared to producing bulk supplies of meat, wool and dairy products for the British market through a system of highly mechanised family farms using only limited extra wage labour.
- \* A manufacturing sector employing a much larger proportion of the population in the processing of imported components into consumer goods for the domestic market and to a limited extent machinery and other capital goods.
- \* Protection of this sector by laws controlling the value of foreign imported goods (import licensing) and limiting the amount of

foreign currency obtainable (exchange controls).

- \* A generally fixed exchange rate between the New Zealand dollar and other currencies to give farmers and manufacturers a more certain environment in which to invest.
- \* A welfare state providing almost free health and education for everyone who needed them, a pension for all old people, means tested at the start, but gradually extended to a universal benefit regardless of wealth and a universal family allowance to all people with children.
- \* A progressive tax system which charged higher tax rates to the rich than to the poor.
- \* A complex mix of controls on key prices, wages and interest rates. An equally complex system of tax deductions and subsidies to encourage the main export industries of farming, forestry and later manufacturing.

For almost thirty years after the end of World War II this system gave new Zealand one of the lowest unemployment rates in the western world. Walter Nash, long time Labour Minister of Finance, used to boast about "insulating" New Zealand from the bad effects of capitalism.

Successive National governments went along with the over all policy and even improved some aspects of it in order to win public support. However they gradually eroded the public health



and education systems, running down the availability of public hospitals for instance while subsidising private ones. The cost of visits to doctors and specialists increased greatly as government subsidies failed to keep pace with inflation.

Marxism-Leninism characterises our era as the epoch of transition from capitalism to socialism. Never before has so much evidence been available to confirm Lenin's analysis of imperialism as "moribund and decaying capitalism."

Working people throughout the capitalist world are confronted with an aggravation of the system's contradictions in all aspects of social life. New Zealand is no exception and to talk of its "insulation" from the effects of foreign capitalism is really so much nonsense. The nature and degree of government management are, however, another story.

The general crisis of capitalism which began with the First World War and the October 1917 Revolution in Russia is deepening. On top of this its cyclical crises have become more frequent, lasting longer and plunging to greater depths. Intertwined with both and bringing new pressures to bear is the long term structural crisis which has affected the system since the sixties.

The results of this triple layered crisis are clear. There is an underlying economic instability and a slow down in the over all rate of growth. Inflation and mass unemployment have become chronic diseases. Budget deficits and state debts have grown to colossal scales throughout the capitalist world.

The increasing internationalisation of capital, the decreasing sphere of influence of its system and the continuing need for monopoly to expand its profits, has resulted in a major offensive of capital with monopoly at its head.

It is important to be clear that it is monopoly capital that is leading the attack against workers and other sectors of New Zealand capital, especially small business and working farmers. If we don't identify the driving force of the offensive we cannot clearly understand where to strike the main blow. Nor will we be able to identify our potential and necessary allies; working farmers, manufacturers, small business and professional people.

There was no doubt that the 4th labour government faced a major economic crisis in July 1984 immediately following its defeat of the National government.

When it opened the books we were told that the cupboard was bare after the longest wage freeze in our history. Workers had not emptied the cupboard - few social gains were passed on to them during National's rule (national superannuation was the main exception).

When the Federation of Labour and the Combined State Unions opened the books they revealed booming company profits, vast fortunes made on the share market with only a small portion reinvested in productive industry. Profits of the largest businesses showed that 25% to 30% increases were common. Dwarfing the rest, were Fletcher Challenge and NZ Forest Products who recorded \$64m (215%) and \$75m (270%) increases respectively.

Medium sized companies reported a similar pattern. The 1982 tax "cuts" did little for most workers, but amounted to an annual saving of \$1000 million for employers.

Disclosures from the Higher Salaries Commission showed that during the freeze, top managers and executives had increased their salaries by 38%. This was used to justify increases to the Prime Minister and other politicians and state servants.

National is largely remembered for its freeze on workers wages and extreme government intervention in the economy through regulations. The level of foreign debt held by all sectors had risen steadily, absorbing growing amounts of foreign exchange earnings. The "Think Big" programme and other grandiose projects had increased the demand for foreign exchange and reached a stage where government not only had to borrow to provide its capital equipment, but also to pay interest on its foreign debt. The rapid drop in oil price cancelled any immediate monetary benefit, although the "Think Big" programme has potential to relieve our dependency on foreign exchange and provide employment.

National's style of government can only be described as inflexible economic management which aggravated the problems. Inflation had been forced down to 4% by mechanical controls. Mandatory interest controls created a shortage of loan money for housing and business generally, including productive investment. Unemployment was high.

The Labour government had the task of moving out of a two year period in which workers real wages had depreciated and little tax was

paid by industry, despite record profits. Farm subsidies meant that agricultural land was grossly overvalued. When they were withdrawn land prices fell and many farmers were left with little equity.

As a pre-election move the National Government had freed up the money supply and generally created a favourable climate for the election. Unfortunately for them the snap election had not given time for the effects of an accelerated economy to be felt by electors. The Labour Government and Roger Douglas deplored the 8% increase in economic growth which resulted, and the buoyant economy which expanded purchasing power, increased imports and calls on foreign exchange and led to balance of payment difficulties, and increased inflation and interest rates.

Until then production and productivity had declined during the nine and a half years of the National Government. However, because of the artificial pre-election boost Labour's first years benefited with new jobs and a reduction of unemployment.

Muldoon had called a snap election. Unprecedented unity and enthusiasm in the labour movement to get rid of Muldoon, and the emergence of a breakaway party (the New Zealand Party) from National which, led by Bob Jones, supported free market policies was largely instrumental in his Government's defeat.

Even before the National party had vacated office the Labour Government announced its intention of devaluing the currency by 20% despite guarantees before the election that this wouldn't be done. A considerable run on foreign currency was used as a pretext for an act Roger

Douglas had long ago identified he wanted to make. Muldoon said, if re-elected he would not devalue under any circumstances and the speculators would have no option but to bring back most, if not all, to New Zealand.

At that stage, most of the money concerned represented the proceeds of ordinary commercial transactions. There was strict exchange control on the export of foreign currency. The Labour Government devaluation was probably the first false move. It not only cost taxpayers some 350 million dollars but put up costs and started a new inflationary drive. A tight monetary control quickly followed.

Compulsory funding of Government loans at nominal interest rates by financial institutions ceased. Interest rates were deregulated. These moves forced the government to enter the market in competition with private enterprise to fund its internal deficit. Later the exchange control was lifted and "hot money" from overseas financial interests poured in to take advantage of the now high interest rates.

Money borrowed overseas at 6% was invested here at 20%. The demand on our dollar on a free exchange rate meant that it was over valued. This reduced the price of imports but made exporting unprofitable. The interest rates affected businesses, farmers, homeowners and consumers.

These were the opening shots in a Labour programme of widespread deregulation based on the monetarist theories of Milton Friedman. Roger Douglas had tried to sell this and the other moves to the Labour Party in opposition when Bill Rowling was leader. He was soundly rebuffed for his philosophical opposition to everything

Labour stood for. He publicised his plan in his book *There's Got to Be a Better Way*.

Our foreign debt has ballooned under Labour. It now stands at 43 billion dollars, up from 16 billion when it took office. We are a heavily indebted nation. While exports and imports usually balance, the "invisibles" of transport, insurance, overseas profits cannot be covered. We go on borrowing to refinance old loans and pay interest on existing ones. If our dollar adjusts to a realistic level our overseas debt will increase. If it falls, or interest rates become less attractive there will be a withdrawal of foreign funds, causing further economic upheaval.

Not only is the external foreign deficit growing but other key economic indicators show clearly that the so called "Better Way" is the wrong way. Allowing a free market might have been a sound measure in the early days of capitalism when it was a progressive force, replacing feudalism. Today transnational monopolies, as foreseen by Lenin, are the dominating factors of capitalist society. Together with local monopoly they control and dominate the heights of our industry. Genuine free enterprise no longer exists. Farmers and small business people have, in some cases, become the junior partners of a few transnationals.

Foreign capital is moving in with giant strides. The latest example is the controlling interest of the foreign monopoly Elder & Co in NZ Forest Products. To talk of free enterprise and a free market in today's capitalist NZ is so much hot air.

The fourth Labour Government was elected on the following programme:

- \* Restoration of full employment as a top priority
- \* An improvement in the rate of economic growth
- \* The restoration of economic and social justice
- \* Securing the maximum possible degree of stability of prices
- \* The restoration of a more democratic approach to the management of the economy and
- \* The introduction of greater control by New Zealanders over the future of the economy.

None of these objectives has been achieved and the economy is deteriorating. There has been some increase in state house building but nowhere near enough to meet the urgent demand, despite the fact that it could provide employment for the building and allied industries. Hospital wards are still closing and massive waiting lists are not diminishing. Progress in the reduction of class sizes in schools has been slow.

There is now an economic downturn with the lifting of protection to industry. Manufacturers say they cannot carry on with the high rate of our dollar, high interest rates and competition from low wage countries. Many industries are closing down and thousands of

workers made redundant. Some industries are being shifted to Australia, and Asia.

Unemployment has never been so high. It will probably reach 200,000 by the end of the year. The national average is almost 9%. In the interests of "efficiency" wholesale dismissals have taken place in government owned industries and corporations. These newly corporatised government departments have big business leaders as directors - some of whom are well known opponents of the labour movement.

Corporatisation has meant that profit, not public service, is now their aim. 400 post offices have closed as a result while foreign private banks are allowed to compete with existing banking institutions.

Shares are being sold in the Bank of New Zealand, Air New Zealand and our steel and petrol industries were sold off at bargain prices.

The state owned railways has had heavy staff cuts and long distance road haulage is allowed to operate freely in competition. The extent and scale of many of these operations has not been fully extended and their fate is not fully known.





